

NOTICE OF PROPOSED CHANGES TO THE
OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT'S
"ACCOUNTING AND REPORTING MANUAL
FOR CALIFORNIA LONG-TERM CARE FACILITIES" - Second Edition

Title 22. Office of Statewide Health Planning and Development

ACTION: Notice of Proposed Rulemaking

SUBJECT: **Changes to the Accounting and Reporting Manual for California Long-term Care Facilities**

PUBLIC PROCEEDINGS:

NOTICE IS HEREBY GIVEN that the Office of Statewide Health Planning and Development (hereafter the "Office"), proposes to amend the text of the Accounting and Reporting Manual for California Long-term Care Facilities, Second Edition, as amended January 10, 1997 (hereafter the "Manual"), including the Long-term Care Facility Integrated Disclosure and Medi-Cal Cost Report (hereafter the "disclosure report"), and Section 97019, which incorporates the Manual by reference, of Title 22 of the California Code of Regulations (CCR), and to delete Section 97020 of Title 22 of the CCR, which provided for delayed implementation of the Second Edition of the Manual.

WRITTEN COMMENT PERIOD:

NOTICE IS ALSO GIVEN that no public hearings will be held. However, interested parties may submit written comments presenting statements, arguments, or contentions relating to the proposed action. All such comments must be received by the Office by 5:00 p.m. on August 3, 1998, which is designated as the close of the written comment period. However, a public hearing will be held if, no later than 15 days prior to the close of the written comment period, an interested person submits a written request to hold a public hearing to the Contact Person (see Contact Person and address below).

CONTACT PERSON:

Inquiries and comments concerning the proposed administrative action may be addressed to Jay R. Benson, Manager, Accounting and Reporting Systems Section, Office of Statewide Health Planning and Development, 818 K Street, Room 400, Sacramento, California 95814 (telephone: 916-323-7676).

INFORMATIVE DIGEST/PLAIN ENGLISH OVERVIEW:

The Health Data and Advisory Council Consolidation Act of 1984 (California Health and Safety Code Sections 128675 through 128815) requires a uniform system of accounting for non-federal California long-term care facilities and that all such facilities use that system in their books and records on a day-to-day basis. The uniform system provides the foundation for the collection

and reporting of specific data on an annual basis to OSHPD. The underlying objective of the reporting requirement is to provide the public, the long-term care industry, and State policy makers accurate, uniform, and objective information regarding the revenues, expenses, assets, liabilities, equity, capacity, and utilization of California long-term care facilities. As public information, these data are and will continue to be available to officials at all levels of state and local government for their use in formulating and evaluating health system policies and in managing governmental health delivery programs. These data will also be available to health care consultants, employers, insurers, organized labor, and other health care purchasers who may use the information to make informed decisions in today's health care market. Finally, it is available to health service providers who may use the information for health facility management and strategic planning purposes.

The Manual is being revised to:

1. Update a reference to the Health and Safety Code;
2. Clarify that Accounts Receivable may be recorded at full or gross established rates, but must be reported net of any contractual adjustments;
3. Correct the sample entries for recording revenue for care provided under capitation contracts;
4. Clarify that facilities must record a year end adjustment to their receivable from or payable to third-party payors, estimating their final reimbursement from the third-party payor for care provided during the year;
5. Clarify that lease and rental expenses for special beds and mattresses separately charged to patients must be accounted and reported as Specialized Support Surfaces, not as Leases and Rentals;
6. Clarify that overtime and bonuses are to be included in Salaries and Wages, and severance pay in Employee Benefits;
7. Eliminate the job title Practical Nurse from the definition of the salary and wage classification, Aides and Orderlies, and from the job title listing;
8. Correct an error in the instructions for report page 13, Computation of Ancillary Services per Patient Day;
9. Delete instructions to attach additional information to report pages 5.1 and 5.2, Balance Sheet, and report page 9, Statement of Cash Flows;
10. Clarify that the current portion of long-term payables to related parties must be reported as Payables to Related Parties, Current, not as Payables to Related Parties, Noncurrent;
11. Clarify the instructions for report page 9, Statement of Cash Flows;
12. Clarify the instructions for employee turnover information on report page 12.2;
13. Add an interpretation specifying the accounting and reporting of expenses related to the services of the Director of Nursing;
14. Include in the Account Distribution Index (ADI) an expense item for Flood Insurance, and correct the expense classification for Earthquake Insurance in the ADI from Administration to Property Insurance.

Effective Date of Changes

The proposed changes would be effective 30 days after filing with the Secretary of State.

CCR Section 97019, Accounting and Reporting Manual for California Long-Term Care Facilities

Section 97019 of Title 22, California Code of Regulations, is being amended to reflect the effective date of the above changes to the Second Edition of the Manual, and to delete obsolete references to the First Edition of the Manual.

CCR Section 97020 of Title 22, Delayed Implementation of the LTC Accounting Manual Second Edition

Section 97020 provided facilities under certain conditions to delay compliance with the Second Edition of the Manual for one year. Section 97020 is being deleted, because it is now obsolete.

AUTHORITY AND REFERENCE:

The Office of Statewide Health Planning and Development, pursuant to Section 128810 of the Health and Safety Code, has the authority to implement, interpret, or make specific Sections 128735 and 128760 of the Health and Safety Code. The Office also proposes to amend Title 22 of the CCR Section 97019 and the Manual incorporated in Section 97019 by reference, and to delete Title 22 of the CCR Section 97020.

FISCAL IMPACT ESTIMATES:

- A. Estimate of Cost or Savings to Any State Agency (Cal. Gov't Code §11346.5(a)(6)): None.
- B. Cost to Any Local Agency or School District That is Required to be Reimbursed by the State (Cal. Gov't Code §11346.5(a)(6)): None.
- C. Non-Discretionary Cost or Savings Imposed on Local Agencies (Cal. Gov't Code §11346.5(a)(6)): None.
- D. Cost or Savings in Federal Funding to the State (Cal. Gov't Code §11346.5(a)(6)):None.
- E. Impact on Housing Costs (Cal. Gov't Code §11346.5 (a)(11)): None.
- F. Potential Cost Impact on Private Persons or Affected Businesses, Other Than Small Businesses (Cal. Gov't Code §11346.5(a)(9)): No Adverse Impact.

DETERMINATIONS:

As required by Government Code Section 11346.5 (a)(5), the Office has determined that the regulations would not impose a mandate on local agencies or school districts, nor are there any costs for which reimbursement is required by Part 7 (commencing with Section 17500) of Division 4 of the Government Code.

As required by Government Code Section 11346.5 (a)(8), the Office has determined that the regulations would not have a significant adverse economic impact on businesses, including the ability of California businesses to compete with businesses in other states.

Pursuant to Government Code Section 11346.3 (b)(1), the Office has determined that the proposed amendments would not significantly affect the following:

- (1) The creation or elimination of jobs within the State of California.
- (2) The creation of new businesses or the elimination of existing businesses within the State of California.
- (3) The expansion of businesses currently doing business within the State of California.

The Office has determined that the regulations may affect small business, and that it is not feasible to draft the regulations in plain English due to the technical nature of the regulations; however, a noncontrolling plain English summary is available from the agency contact person named in this notice.

AVAILABILITY OF STATEMENT OF REASONS AND TEXT OF REGULATIONS:

The Office has prepared an Initial Statement of Reasons for the proposed changes to the Manual and related regulations. A copy of this statement and a copy of the express terms of the proposed changes, in italic and strike-out format, are available upon request from the Office (see Contact Person above), which is also the location of all information upon which the proposal is based. In addition, the Initial Statement of Reasons will be mailed to all California-licensed long-term care facilities, along with this notice and the text of the proposed changes to the affected regulations.

AVAILABILITY OF CHANGED OR MODIFIED TEXT:

After the close of the public comment period or at the end of the public hearing, if one is requested and held, the Office may, without further notice, adopt the regulatory changes as proposed or adopt them with such nonsubstantial or grammatical changes as it deems appropriate. In the event the Office intends to adopt the regulations with modifications, other than changes which are nonsubstantial or grammatical in nature, the full text of the regulations as modified will be made available to the public at least 15 days before they are adopted. A request for copies of any modified regulations should be submitted to the Contact Person at the address noted above.

ALTERNATIVES:

In accordance with Government Code Section 11346.5(a)(12) the Office must determine that no alternative considered by the Office would be more effective in carrying out the purpose for which the action is proposed, or would be as effective and less burdensome to affected private persons than the proposed action.

Office of Statewide Health Planning and
Development

Dated: June 2, 1998

Jay R. Benson, Manager
Accounting and Reporting Systems Section